

Claim =

Plan Sponsor Share =

State A =

Court =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Dear :

This letter is in response to your request for rulings on November 14, 2012, submitted by your authorized representatives, on certain U.S. federal income tax consequences under sections 382, 832, and 1504 of the Internal Revenue Code. Additional information was submitted in a letter dated February 13, 2013. The information submitted for consideration is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Parent is a holding company and the common parent of an affiliated group of corporations that files a consolidated federal income tax return (the “Parent Group”). Parent owns all of the common stock of Sub, a State A Business company, that is Parent’s principal operating subsidiary. Sub also has outstanding a class of nonvoting preferred stock, all of which third parties own. Sub is a member of the Parent Group and is subject to regulation by the Department.

On Date 1, Parent filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. Sub did not file for bankruptcy protection. On Date 2, the bankruptcy court confirmed Parent’s plan of reorganization (the “Bankruptcy Plan”), which will become effective at a future date. Pursuant to the Bankruptcy Plan, Parent’s existing common and preferred stock will be cancelled for no consideration and Parent will issue shares of new voting common stock to its existing third-party unsecured creditors and the Plan Sponsor Share, a single share of non-economic voting stock of a different class of common stock, to Sub (or Sub’s designee) (together, the “New Parent Stock”). The cancellation of Parent’s existing stock and the issuance of the New Parent Stock will cause an ownership change under section 382.

On Date 3, by order of the Court, the Superintendent was appointed as rehabilitator of Sub (the “Rehabilitator”) and Sub entered into a court-supervised rehabilitation proceeding pursuant to State A law (the “Rehabilitation Proceeding”). The Rehabilitator took control of Sub, and Sub’s Board of Directors (the “Sub Board”) resigned. On Date 4, the Rehabilitator filed a proposed Plan of Rehabilitation for Sub to remove the causes and conditions that made the Rehabilitation Proceeding necessary, and an amended plan was filed on Date 5 (the “Rehabilitation Plan”). The Rehabilitation Plan is subject to approval by Court.

Upon the effective date of the Rehabilitation Plan, (i) Sub’s existing Contracts will be restructured, (ii) Sub’s Liabilities will be reduced (and its Excess Funds restored) based on the Rehabilitation Plan, and (iii) Sub will exit the Rehabilitation Proceeding no longer subject to the Rehabilitator’s control.

The restructured Contracts will provide for the payment of Claims in the following manner: (1) a cash portion (the initial distribution) payable shortly after a Claim is allowed and (2) a deferred portion that may be paid in the future depending on Sub’s performance and financial condition. The restructuring of the Contracts in this manner is intended to allow Sub to maintain sufficient assets to pay the initial distributions on Claims that are anticipated to be submitted in the future. In addition, the restructured Contracts will provide for an accretion element (computed based on a set rate) to facilitate fairness between Holders who have already submitted Claims and those who may make Claims in the future. The Contracts as restructured by the Rehabilitation Plan

are hereinafter referred to as the “Restructured Contracts”. In no event will Holders receive more pursuant to the terms of the Restructured Contracts than the aggregate amount of Claims that would have been allowed under the Contracts without taking into account the Contract restructuring, other than accretion.

The Rehabilitation Plan also contemplates that, upon termination of the Rehabilitation Proceeding, (i) a new Sub Board will be appointed by the Rehabilitator subject to the approval of the Department and (ii) Sub’s existing charter and by-laws will be amended and restated to provide for, among other things, the make-up and manner of election of the Sub Board following the Rehabilitation Proceeding.

Under the amended and restated charter, the Sub Board will consist of seven members, each serving a staggered three-year term. The Sub Board will appoint a nominating committee, consisting of at least two of its own members. At the expiration of any director’s term or the occurrence of any other vacancy on the Sub Board, the nominating committee will nominate two candidates to succeed such director or to fill the vacancy. All such candidates must be approved by the Department. Parent, as Sub’s sole common shareholder, will elect new directors of Sub from among such candidates.

In addition to its right to approve any nominee for election to the Sub Board, the Department will also maintain certain other rights after the Rehabilitation Plan becomes effective with respect to Sub’s governance. Specifically, in addition to requirements imposed generally by the State A Business law, the Department must provide express approval for certain actions, including: (i) changes in the percentage of Claims paid pursuant to the initial distribution amounts to Holders, (ii) the sale or other transfer of five percent or more of Sub’s assets, (iii) the payment of dividends or any other distribution with respect to equity, (iv) the issuance of new Contracts, (v) changes to Sub’s or Parent’s corporate governance structure, and (vi) certain Claim settlements.

Representations

The taxpayer makes the following representations:

1. Parent is currently under the jurisdiction of the bankruptcy court in a Title 11 case.
2. The Bankruptcy Plan was confirmed by the bankruptcy court on Date 2.
3. Parent’s emergence from protection under Chapter 11 of the Bankruptcy Code upon the effective date of the Bankruptcy Plan pursuant to the Bankruptcy Plan will result in an ownership change within the meaning of section 382.
4. Pursuant to the Bankruptcy Plan, upon the effective date of the Bankruptcy Plan at least percent of the value and voting power of the New Parent Stock will be

owned by qualified creditors (within the meaning of section 382(l)(5)(E) and Treas. Reg. § 1.382-9(d)(1)) of Parent as a result of being qualified creditors of Parent immediately before the ownership change.

5. Parent will not elect to apply section 382(l)(6) to the use of any NOL carryforwards after emerging from protection under Chapter 11 of the Bankruptcy Code.
6. Parent is the common parent of an affiliated group of corporations that files a consolidated federal income tax return and this affiliated group is a "loss group" within the meaning of Treas. Reg. § 1.1502-91(c)(1).
7. Parent owns at least percent of the voting power and value of Sub's stock (other than section 1504(a)(4) preferred stock).
8. For all periods of Sub's existence, more than percent of its business has consisted of the issuance of Contracts or the administration and management of previously issued Contracts.
9. The Contracts restructured pursuant to the Rehabilitation Plan constituted insurance for federal income tax purposes.

Rulings

Based solely upon the information submitted and the representations made, we rule as follows:

1. The Rehabilitator's control over Sub's business during the Rehabilitation Proceeding will not cause Sub to be deconsolidated from Parent for federal income tax purposes.
2. The ongoing involvement of the Department in Sub's business after the Rehabilitation Proceeding and the restructuring of the Contracts pursuant to the Rehabilitation Plan will not cause Sub to be deconsolidated from Parent for federal income tax purposes.
3. Section 382(a) will not limit the pre-change or built-in losses of the Parent Group (and each of its members) as a result of the ownership change Parent will experience upon emerging from Chapter 11 bankruptcy. Section 382(l)(5).
4. The Restructured Contracts will be treated as insurance contracts under Subchapter L of the Code.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file with this office, a copy of this ruling letter is being sent to your authorized representatives.

Sincerely,

Marie C. Milnes-Vasquez

Marie C. Milnes-Vasquez

Chief, Branch 4

Office of Associate Chief Counsel (Corporate)

cc: